

# China after the lockdown: New problems, same policies

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Constitutionally, the People's National Congress is the highest organ of state power in China. Although it only meets once a year, for two weeks, its proceedings throw some light on the government's priorities and the direction in which policy is moving. This year's meeting, which took place in the last two weeks of May, had to be delayed because of the Covid-19 epidemic, whose aftermath has obviously created an entirely unexpected context for government plans.

The immediate effect of the lockdown in Hubei province and the extended Lunar New Year national holiday was to shrink GDP by 9.8 percent in the first quarter, as compared to the last quarter of 2019. Even now, it is estimated that the economy is only operating at about 80 percent of previous capacity.

Nonetheless, as is the case with most crises, Covid-19 is likely to accelerate trends that were already developing and policies that were already planned. The economy was a cause for concern well before an unfortunate citizen of Wuhan first picked up the new virus. Exports, which have played a huge role in China's rapid growth for 30 years, actually declined by 0.5 percent in 2019, having grown by 10 percent the year before. GDP as a whole grew by just 6.1 percent, as compared to the official target of 6.5 percent.

## Inequality

Given US President Trump's threats of trade war, even before the pandemic, the prospects of increasing exports as a route to overall GDP growth were not good. Increasing domestic consumption, therefore, has become an important goal, but it is one that reveals a feature of Chinese society that is often overlooked; huge social inequality. Taken as an average, across society, Chinese per capita income is some RMB 30,000, roughly \$4,000, per year, but this conceals the fact that 40 percent of the population, 600 million people, are on less than RMB 1,000, around \$130, per year.

It is no coincidence that 40 percent of the population live in the countryside. On the one hand, this means that cash income is not their only source of support. On the other, it plainly does not make them an effective market for high value industrial goods, someone on \$130 a year is not going to buy a new car. It also emphasises how far the rural population is from integration into China's market economy.

In his speech to the closing session of the NPC, Premier Li Keqiang, drew attention to the need to increase the disposable income of this potentially huge market, but he also had to note that it was the micro, small and medium businesses, which might be expected to cater for it, that faced increasing difficulties. These relate to another main theme in Li's speech; the need to deal with mounting debt and 'non-performing loans', that is, loans on which borrowers cannot even afford to pay interest.

The government's proposed solution to this, as it has been for many years, is to 'open up the financial sector'. This is the formula used to encourage market reforms in the state banks which continue to give

preferential treatment to state owned and, therefore, very large, enterprises, rather than small, privately-owned businesses. The fact that this has been one of President Xi Jinping's principal objectives for the best part of a decade underlines the intractability of the problem.

## Target

The impact of the epidemic on the economy can be judged from the fact that, for the first time in more than 40 years, China does not have an official growth target. Commenting on Li's announcement of this, the Global Times, Beijing's official mouthpiece, observed that any suggestion of aiming for the previously anticipated 6 percent plus was clearly impossible and "any lower target would not have been instructive". In other words, any figure significantly lower than originally expected, could have been a disincentive to both industry and provincial governments throughout the country.

Immediately after the lifting of the lockdown in March, the emphasis was, understandably, on "getting the economy moving again" and achieving that 80 percent figure within some six weeks could look quite impressive. However, it begs the question, what is happening to the remaining 20 percent?

There are estimated to be 174 million migrant workers in China. Because they are not registered as urban residents, if they do not have jobs, they do not appear in unemployment statistics. It can be taken for granted that virtually all will have returned to their home villages for the Lunar New Year, but surveys have shown that only 123 million have returned to the cities after the annual holiday, leaving approximately 50 million still in the countryside.

In addition, there are 149 million self-employed, working in the service sector and small scale retail, both of which have been very hard hit by the combination of the epidemic and the more general economic slowdown. On top of that, some 8 million school and college leavers will join the workforce in the course of the year. What is clear from these figures is that China faces a serious increase in unemployment and the majority of those affected will have no recourse to unemployment benefit. That is a potentially dangerous prospect.

Xi Jinping's increasingly repressive domestic policies and aggressive foreign policy are no doubt in part driven by a recognition that social unrest is likely to increase. Like many another "strongman" national leader, he uses patriotism to legitimise measures actually aimed at controlling and silencing "his" own people. The emergency measures introduced to deal with the epidemic, mass repression of the Uighurs of Xinjiang, the close control of social media and the internet and the extensive use of facial recognition technology for surveillance of crowds in the streets are all elements of a systematic strategy for controlling potential unrest.

Naturally, patriotism is most easily whipped up by pointing to foreign threats and here Donald Trump can be relied upon to provide an easy target with both his rhetoric and his policies on trade. At this year's NPC, however, it was the decision to impose greater controls on Hong Kong that made the headlines. The extension of national security legislation to include Hong Kong is obviously aimed at criminalising the oppositionist movement in the former British colony. Calls for greater democracy, let alone for independence, could be classified as "subversion of state power" and the organisation of demonstrations or strikes might be considered evidence of "terrorism" or "interference by foreign powers".

Beijing has also made it clear that, if the local Hong Kong administration fails to put a stop to the political protests and demonstrations that have shaken the territory repeatedly for several years, it will station its own security services there. This has been taken as a sign of exasperation with the Chief Executive, Carrie Lam, but is better understood as a step towards a longer term goal.

For the Communist Party of China, the acceptance of the 'one country, two systems' formula, which underpins Hong Kong's status as a 'Special Administrative Region' of China, was a purely pragmatic tactic to smooth the return of Chinese territory to Chinese rule. It was the last echo of the Unequal Treaties that China was forced to accept in the 19th century and, as such, has no moral authority. The intention is that, in time, Hong Kong will be fully integrated into what is called the Greater Bay Area of the province of Guangdong.

In this scenario, any suggestion that other states, such as the UK or the USA, have any right to influence how the territory is governed is simply an attempt to limit China's sovereignty, once again. Revolutionary Internationalists have no reason to take sides in disputes between imperialist regimes but every reason to side with any population whose democratic rights are threatened.

The potential tragedy in the current situation is that the more radical oppositionists in Hong Kong are playing into Beijing's hands by appealing for support to the other imperialist powers or, worse, championing the call for independence. This is not only an impracticable demand but an entirely misguided strategy. Instead of turning their backs on the 'mainland', far better to use what democratic rights they still have to campaign for those rights, and more, to be extended to their compatriots throughout China.

With the world on the brink of a recession that was already developing before the pandemic, but will surely be exacerbated by it, it is guaranteed that the rivalry between the Great Powers will move from rhetoric to trade war and potentially to actual military confrontation. As we can already see, this will be accompanied by increasingly authoritarian regimes at home, justified by the need to fight the 'foreign threat'. This makes it all the more important that socialists in the imperialist states not only recognise that the working class' main enemy is at home but that they themselves have to be organised internationally against all imperialists.

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